

Exhibit D

From: Yap, Roger <roger.yap@bmo.com>
Sent: Tuesday, December 19, 2006 3:44 PM
To: Wilson, Timothy <Timothy.Wilson@bmo.com>
Subject: Approval from Ian for implementing Splitting the Difference methodology with Hess Energy...

plus his explanation of the differences in the commodity option portfolio. As well, you will see here where he has first mentioned to perform quarterly recons.

Regards,

Roger

From: Plester, Ian M.
Sent: Monday, April 24, 2006 12:16 PM
To: Yap, Roger
Subject: RE: HETCO MTM discrepancies
Importance: High

Yes I think we should reconcile with HETCO – maybe monthly is not necessary if the differences have not changed materially – but at least quarterly.

I saw a Sempra credit guy at a meeting recently and he brought it up. I see no reason why we could not implement the same deal for Sempra. Do you have a record of the differences we are seeing for Sempra?

Ian

From: Yap, Roger
Sent: Monday, April 24, 2006 11:30 AM
To: Plester, Ian M.
Subject: RE: HETCO MTM discrepancies

I have not initiated a reconciliation with HETCO since we had implemented this 'splitting of differences' methodology. We are still experiencing the same level of outages (I have assumed that the spreads have not tightened since this issue was last brought up) so I did not feel it was necessary. The process is working out fine-- HETCO has not had any issues with this. Please advise if you would like my group to perform a recon on the latest m2m figures.

What brings up Sempra now? Has their credit side approached you? I know that we have had fluctuating differences with them and it is still due to the spreads. Splitting the differences with Sempra would help to close the gap between our m2m's.

Roger

-----Original Message-----

From: Plester, Ian M.
Sent: Monday, April 24, 2006 11:16 AM
To: Yap, Roger
Subject: RE: HETCO MTM discrepancies
Importance: High

Roger have we done a monthly reconciliation with HETCO yet?

How is this process working out – I think we are going to have to do the same thing for Sempra.

Ian

From: Plester, Ian M.
Sent: Friday, February 24, 2006 2:45 PM
To: Yap, Roger
Subject: FW: HETCO MTM discrepancies
Importance: High

Roger are you ok with this?

From: Smith, Ken
Sent: Friday, February 24, 2006 2:15 PM
To: Moore, Robert B. Jr.; Plester, Ian M.; Yap, Roger; O'Driscoll, Tom
Cc: Lee, David P.; McClorey, Richard J.; Aguila, Andres
Subject: RE: HETCO MTM discrepancies

Concurred.

Ken

-----Original Message-----

From: Moore, Robert B. Jr.
Sent: Friday, February 24, 2006 10:25 AM
To: Plester, Ian M.; Yap, Roger; O'Driscoll, Tom; Smith, Ken
Cc: Lee, David P.; McClorey, Richard J.; Aguila, Andres
Subject: RE: HETCO MTM discrepancies

Approved.
Bob

-----Original Message-----

From: Plester, Ian M.
Sent: Friday, February 24, 2006 10:21 AM
To: Yap, Roger; O'Driscoll, Tom; Moore, Robert B. Jr.; Smith, Ken
Cc: Lee, David P.; McClorey, Richard J.; Aguila, Andres
Subject: HETCO MTM discrepancies
Importance: High

As you are all aware we have for some time been experiencing continuing difficulties with HETCO related to the MTM position leading to 'disputes' in the amount of collateral to be delivered or returned. For example yesterday HETCO called BMO for an additional \$3.1MM of collateral (they are currently in the money) based on their marks, whereas we asked them to return \$2.0MM based on our marks – a difference of \$5.1MM.

Following conversations between Dave Lee and the HETCO trader we have identified that the problem lies in the way each party values option trades.

By way of background, the calculation of 'Exposure' according to the documentation requires the Valuation Agent to value all Transactions as if they were being terminated using estimates at mid-market price. Unlike swap transactions there is no mid-market settlement price readily available for option trades which has led to each party using a valuation most advantageous to itself i.e. if BMO has sold options BMO would use the 'bid' price and HETCO the 'offer' price. If BMO has bought options the position would be reversed. Given

this approach and noting the significant volumes we have in place with HETCO, the bid/offer spread creates large differences in MTM.

HETCO have suggested a compromise in that we should agree to split the difference in our daily MTM valuations in order to arrive at the correct amount to be delivered/returned. Using yesterdays calls, this would result in HETCO reducing their call by \$2.55MM from \$3.1MM to \$550,000; BMO in turn forgoing the return of collateral and delivering \$550,000.

This seems to be an equitable approach to conforming with the intent of the document i.e. using a mid-market price. In order to ensure that the discrepancy only relates to option trades a monthly reconciliation will be undertaken, with BMO and HETCO exchanging data. Should it be determined that the difference in value is affected by a discrepancy on trades other than option trades this will be dealt with separately.

Since the above proposition puts us back to the mid-market position which is the intent of the ISDA document, further Credit approvals are not considered necessary however the concurrence of the LOB, LPG and Bank Credit Group should be obtained.

LPG (Plester) concurs with the above proposal. Bob Moore and Ken Smith please add your concurrence by 'Replying to All'. Once all approvals are received Roger Yap will implement the proposals.

Ian Plester
Director
LPG

From: Yap, Roger <roger.yap@bmo.com>
Sent: Wednesday, December 20, 2006 4:31 PM
To: Wilson, Timothy <Timothy.Wilson@bmo.com>
Subject: FW: Commodity Option differences

My email to Ian.

From: Yap, Roger
Sent: Friday, December 08, 2006 9:52 AM
To: Plester, Ian M.
Cc: Lee, David P.; Moore, Robert B. Jr.; O'Driscoll, Tom
Subject: RE: Commodity Option differences
Importance: High

Ian,

To ensure that we are on the same page in respect of how the current process works, I have presented the following points below:

- Over the past year, CMG has performed recons which have identified valuation differences in the Commodity option (AOPT) portfolio.
- The valuation differences on various accounts have been presented to both you and Dave Lee (who has been keeping Bob Moore informed) in accordance with our usual escalation procedures.
- Through our discussions with Dave, it has been explained that these difference are due to the difference of opinion between counterparties on the bid/offer spread.
- In order to relieve some pressure off of CMG from having to perform daily reconciliations, you recommended that CMG adopt quarterly reconciliations on counterparty portfolios that have been identified as related to the bid/offer spread issue.
- No formalized solutions have been implemented to address the bid/offer spread issue but "splitting the difference" methodology has been suggested by Ian as a reasonable approach. Only one customer, Hess Energy, has pushed to adopt this and CMG has put this practice into process with Hess.
- We have discussed whether or not it would be practical to implement this accross the other disputing counterparties, but you have advised that we should not go down this route unless the counterparty has suggested it.

If there is anything I have stated incorrectly or that you think should be added, please let me know. As mentioned previously, I would like to have something in writing to present to the auditors when I am asked how we are handling these disputes.

Regards,

Roger

From: Yap, Roger
Sent: Thursday, December 07, 2006 12:22 PM
To: Plester, Ian M.
Cc: Lee, David P.; Moore, Robert B. Jr.; O'Driscoll, Tom
Subject: Commodity Option differences
Importance: High

Ian,

The differences in the commodity option portfolio are an ongoing concern of mine since there is no policy that addresses the differences attributed to the bid/offer spread issue. FYI, my group is being audited in the next week and I am sure that we will be questioned as to how we have been handling this. I'm certain that you sympathize with my group's dilemma, but my group cannot be held responsible for performing recons on these accounts on a daily basis since the previous results of our recons indicate that trade population is not the issue but rather valuations, of which you know that my group has no control over. I know we have spoken about the idea of performing recons on a quarterly basis (my group has already implemented this on a number of accounts) but this has not been formalized in writing. We are currently "splitting the difference" with one counterparty, Hess Energy, but this has not been adopted with the other counterparties. I also would like to note that the CSA has a defined Dispute Resolution mechanism, but my group has not been advised to initiate this with any of our counterparties.

I was hoping that you could provide me with something that I could show to the auditors that summarizes the issues at hand and acknowledges that my group has been keeping you and the front-office informed of these differences. Below is a list of cp's that are related this issue,

BP Corporation North America Inc.
Mitsui & Co. Energy Risk Management Ltd.
J. Aron & Company
Morgan Stanley Capital Group Inc.
Hess Energy Trading Co.
Semptra Energy Trading Corp.
JPMorgan Chase Bank
Barclays Bank Plc

In the near term, I think it is necessary for us all to come together to agree upon a formal process as to how these differences will be handled.

Regards,

Roger Yap

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From: Plester, Ian M. <Ian.Plester@bmo.com>
Sent: Thursday, December 21, 2006 11:51 AM
To: Yap, Roger <roger.yap@bmo.com>
Subject: RE: Discussion with Audit

Roger, I was not trying to absolve myself. I have indeed been cc'd on most of the names but was not aware that we had problems until very recently (Barclays and JP being examples). As I said I think I have only been asked to look at HETCO, Semptra and Morgan Stanley specifically.

Lets explain the position to the auditors and see what they say. As I said the problem is no one seems to want to take responsibility for the issue.

Ian

From: Yap, Roger
Sent: Thursday, December 21, 2006 11:42 AM
To: Plester, Ian M.
Subject: RE: Discussion with Audit

Ian,

I totally agree that this is a difficult topic to address and that an audit comment may help to get people thinking about this issue.

However, I don't think that it is fair to say that my group has only notified you of the HETCO and Semptra issues. I have email correspondence where it shows that you were either cc'd or directly involved with all the other names except for BP which is a quite recent issue (I had spoken to Dave and he had moved some contracts to the exchange last week, thus reducing our exposure. I haven't had a chance to look at it again since). I do agree that you are not the LPG Manager responsible for all of the names my groups have issues with but you're were involved since you are closest to the commodity group and are most familiar with this issue. I wouldn't know who else to turn to.

I think Tim is sympathetic to our issue here and I have explained to him the potential relationship issues that it may cause if were were to go down the dispute resolution process described in the ISDA.

I have reconciled all the accounts on the list, and have determined that the bulk of the discrepancy is in the options portfolio. In all cases I have spoken to Dave about these specific accounts and have either cc'd you or he said that he would discuss this with you (there may be a breakdown in communication here). The bottom line is that there seems to be no resolution to this issue and that this issue needs to be addressed.

Roger

From: Plester, Ian M.
Sent: Thursday, December 21, 2006 10:29 AM
To: Yap, Roger
Subject: RE: Discussion with Audit
Importance: High

Roger, there are a number of issues at play here. The problem seems to revolve around the treatment of options. To a certain degree LPG can only react to the numbers that we are provided. We run across similar issues with Adaptiv and TCRMS. We are not in a position to change the systems however historically it has proven hard work to the LoB interested. Maybe it needs an Audit comment to get this addressed and a formal approach ratified.

- 1) As you know I am not the LPG Manager responsible for all the names – we have dealt with HETCO and Semptra – I have not been asked to look at Mitsui or BP – until your recent email I was not aware there was an issue with them. The others are bank names on which I can only provide suggestions/guidance – I was aware there was an issue with Morgan Stanley but not the others.
- 2) There are both legal and business (relationship issues) at play here i.e. if we take the hard line as per the dispute process in the ISDA documents there may be relationship issues.
- 3) Are we reconciling and elevating per current guidance for all 8 names you listed? This would be necessary for us to follow the split the difference methodology. Taking Morgan Stanley as an example I don't think we had reached a satisfactory resolution with them.

Ian

From: Yap, Roger
Sent: Thursday, December 21, 2006 9:18 AM
To: Plester, Ian M.
Subject: RE: Discussion with Audit

Just as a heads up, I think one of the questions that Tim will ask is why we are not implementing "splitting the difference" methodology across the board for option trade issues. I couldn't provide him an answer for this.

He is also concerned with the current "dispute test" that my group follows (disputes that are greater than a 1% difference in M2M's or 1mm warrants a reconciliation and escalation--these were the guidelines that we have been following for years as per your and Bob's instructions). He acknowledges that this current test doesn't appear to be relevant in today's situation and that it should be revised. I had mentioned to him that Tom and I had drafted revised dispute methodology paper based on a cp's internal risk rating (this was provided to a working group (you included) some time ago but was never finalized due to the lack of comment) and would be pursuing this in the new year. I think Tim will ask you to comment on our current approach.

I'll set up the call for 2pm. We'll call you.

Roger

From: Plester, Ian M.
Sent: Thursday, December 21, 2006 8:54 AM
To: Yap, Roger
Subject: RE: Discussion with Audit
Importance: High

Anytime today is good.

Ian

From: Yap, Roger
Sent: Wednesday, December 20, 2006 6:17 PM
To: Plester, Ian M.
Subject: Discussion with Audit
Importance: High

Ian,